

**Statement of Norris Cochran
Deputy Assistant Secretary for Budget
U.S. Department of Health and Human Services
Before the
Subcommittee on Oversight and Investigations
Committee on Energy and Commerce
U.S. House of Representatives**

May 9, 2012

Chairman Stearns, Ranking Member DeGette, and Members of the Subcommittee, thank you for the opportunity to speak about the Department of Health and Human Services' (HHS) processes for developing budget requests and ensuring responsible stewardship of all resources appropriated by Congress. As the Deputy Assistant Secretary for Budget at HHS, one of my responsibilities is to oversee the formulation of the Department's budget, and I am a member of a team of senior officials that is committed to using taxpayer resources to achieve the outcomes intended by Congress in the most efficient manner possible.

Formulating Budget Requests

The release of the President's Budget for HHS each February represents the culmination of a year of comprehensive analysis and review by program offices, budget and evaluation experts, and policy officials. This process involves a review of each line of our budget, in the interest of identifying a mix of investments that will cost-effectively improve the health and wellbeing of our nation. As a result of this careful review, each year we propose eliminating or reducing funding for programs that are outdated, duplicative, or low-performing. For instance, in the fiscal year 2013 Budget HHS identified \$2 billion in discretionary terminations and reductions. In addition, HHS included proposals to improve activities by consolidating separate grants that

support similar efforts, such as in the area of state substance abuse prevention. As we formulate our budget request we also seek opportunities to make investments today that will yield greater returns in the future, such as the Health Care Fraud and Abuse Control program that has returned over \$20 billion to the Medicare trust funds since 1997 and has a three-year return-on-investment ratio of 7.2 to 1.

Using Unobligated Balances

In developing our annual budget proposal, we also assess whether the presence of unobligated balances enables us to request less funding from Congress than would otherwise be needed. As an example, for fiscal year 2013 our request for bioterrorism and emergency preparedness assumes the use of more than \$400 million in unobligated balances to achieve preparedness goals. In many instances, the availability of unobligated balances is the intentional result of Congress appropriating funding for use over the course of multiple years. This approach is often taken for initiatives that involve preparing for events that are difficult to predict, such as preparedness for an influenza pandemic, and projects intended to be carried out over a long period of time, such as buildings and facilities construction. As HHS develops plans for utilizing such funding, we take into account both current and future needs to ensure the investments are well planned and the objectives are fulfilled.

Spending Efficiently

HHS continually seeks to identify and eliminate unnecessary costs, in the interest of ensuring that our resources are optimally deployed to promote health and wellbeing. For instance, as part of the Administration's broader efforts to promote efficient spending, HHS is undertaking new measures to further reduce our spending on items such as travel, printing, professional services,

supplies and materials, and employee information technology devices. Reducing spending in these categories will enable us to redirect resources to mission critical investments that more directly benefit our programs' targeted populations.

Evaluating Program Performance

At HHS we carefully monitor the outcomes of the programs we administer, and make adjustments to improve program performance. In addition to this ongoing expectation for all of our programs, on a quarterly basis senior policy officials review our progress toward achieving a number of high priority, measureable, and ambitious goals. As part of this process, our Deputy Secretary chairs data-driven meetings during which senior officials report on progress to date and discuss upcoming actions that will contribute to the achievement of each goal. One of our current goals is to further reduce the national rate of healthcare associated infections, in recognition that each year such infections contribute to thousands of deaths and billions of dollars in excess healthcare expenditures. Reviewing program performance is one of a number of ways that HHS drives toward achievement of the ambitious goals articulated in our Strategic Plan (see http://www.hhs.gov/secretary/about/stratplan_fy2010-15.pdf).

Stewardship of Recovery Act Resources

The American Recovery and Reinvestment Act (Recovery Act) provided \$140 billion to HHS programs, of which \$110 billion had been spent by grant and contract recipients by the end of the last fiscal year. Most of the remainder was made available by the Act for a longer period to serve as an incentive to hospitals and health care providers to adopt and meaningfully use health information technology. The vast majority of Recovery Act funds helped state and local communities cope with the effects of the economic recession, but HHS Recovery Act funds are

also making long-term investments in the health of the American people and the health care system itself. HHS has ensured transparency and accountability in the management of its Recovery Act funds. At its height, HHS received more than 23,000 status reports from grantees and contractors that received Recovery Act funding from HHS discretionary programs. Over the past three years, more than 99 percent of the required recipient reports have been submitted on time. These reports are available to the public online, and non-filers have been sanctioned. More importantly, HHS worked to identify risks for fraud, abuse, and waste and took steps to mitigate those risks.

Ensuring Program Integrity

Over the last few years, HHS has adopted a more proactive stance toward the identification and mitigation of risks associated with implementing large and complex public programs. During fiscal year 2010, HHS developed a more comprehensive approach to assessing the challenges facing our programs and addressing programmatic vulnerabilities. The vision for this effort has been embraced by HHS leaders including the head of each of the Department's major components, while day-to-day activities are coordinated by the Department's Office of Finance and directed by senior officials in each of these same components.

HHS also proactively leverages the expertise of the HHS Office of Inspector General (OIG) and the Government Accountability Office (GAO). For instance, before we spent our first dollar of Recovery Act funding, senior policy officials sat down with our IG to develop a plan for ensuring that our focus on stimulating the economy by implementing programs quickly was balanced with proper attention to sound oversight and the prevention of waste, fraud, and abuse.

In instances where the OIG or GAO identifies threats to program integrity, HHS seeks to effectively and efficiently address these threats.

A program integrity effort of which HHS is particularly proud is the Health Care Fraud Prevention and Enforcement Action Team (HEAT) initiative. This joint program between HHS and the Department of Justice is focused on preventing and deterring fraud, and enforcing anti-fraud laws around the country. A prominent aspect of this effort is the Medicare Fraud Strike Force, a multi-agency team of federal, state and local investigators that combats Medicare fraud by targeting enforcement to geographic hot spots identified through the use of technology. Since inception, Strike Force operations have charged more than 1,330 defendants who falsely billed Medicare for more than \$4 billion. Just last week, charges were made against 107 individuals for their alleged participation in Medicare fraud schemes involving approximately \$452 million in false billing, which represents the largest single takedown in the history of this effort.

Conclusion

Mr. Chairman, thank you again for inviting me to testify about the Department of Health and Human Services' (HHS) processes for developing budget requests and ensuring responsible stewardship of taxpayer resources. I look forward to answering your questions.